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TRANSPORTATION  
COMMISSION**

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## *Memorandum*

TO: Transit Finance Working Group

DATE: July 2, 2014

FR: Rebecca Long

RE: Legislative Update: Cap & Trade Funding

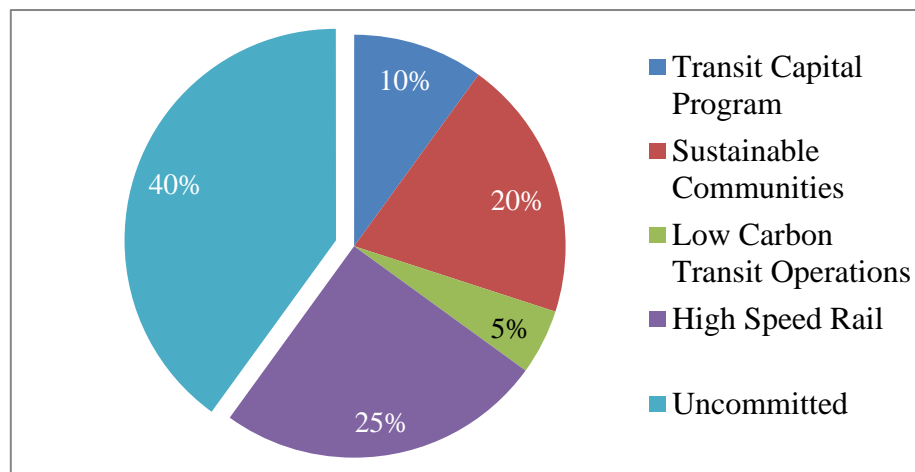
### **Summary of Cap & Trade Funding in FY 2014-15 State Budget**

On June 15, 2014 the Legislature passed the FY 2014-15 State Budget, along with a number of “trailer bills” that provide further details on how funds shall be spent. From a transportation standpoint, by far the biggest focus this year was securing Cap and Trade funds for FY 2014-15 and future years. With respect to FY 2014-15, the budget appropriates \$872 million in Cap and Trade funds, including \$630 million for transportation-related purposes as follows:

- \$50 million for transit (50% by State Transit Assistance formula; 50% competitive at the state level)
- \$250 million for High Speed Rail
- \$200 million for Clean Vehicle incentives
- \$130 million for Affordable Housing and Sustainable Communities

### **Long-Term Funding (FY 2015-16 and beyond)**

One of the so-called trailer bills signed into law this month, Senate Bill 862, continuously appropriates, beginning in FY 2015-16, specified percentages for various new programs to receive funding from Cap and Trade funds, as shown below, leaving non-transportation programs 40 percent to be appropriated each budget cycle or in subsequent legislation. Attachment 1 shows a summary of each program while Attachment 2 provides an estimate of the annual funding in FY 2014-15 and future years. Note that some program categories and relative shares are different in future FY 2014-15 than in subsequent years.



## Disadvantaged Communities

SB 862 also provides a new opportunity for input and greater clarity on how the “disadvantaged communities” targets enacted by SB 535 (DeLeón, 2012) are to be met. Specifically, SB 535 requires that 25 percent of Cap and Trade funds be invested in a manner that benefits disadvantaged communities (DCs), while 10 percent must be spent *in* those communities.

SB 862 requires that before identifying disadvantaged communities, CalEPA hold at least one public workshop. In addition, the bill requires that the Air Resources Board (ARB), in consultation with CalEPA, develop funding guidelines for how administering agencies should “maximize benefits for disadvantaged communities” and requires that ARB provide an opportunity for public input on those guidelines as well.

## Next Steps

SB 862 requires administering agencies to develop guidelines prior to distributing funds for each the new programs. MTC and Bay Area transit agencies should pay close attention to draft guidelines and submit comments to ensure the programs are designed to be as streamlined as possible and in a manner that provides the region with the best opportunity to qualify for and compete for these new state funds. The attachment highlights project eligibility and which agency is responsible for developing guidelines for the new programs and selecting projects. Note that SB 862 did not specify any dates by which guidelines must be developed so it is incumbent upon the transportation community to monitor the process to ensure the programs are implemented in a timely manner.

**Cap & Trade Transportation Program Overview Pursuant to SB 862 (Chapter 36, Statutes of 2014)**

<b>Program</b>	<b>Who Administers/ Who Selects Projects?</b>	<b>Project Eligibility</b>	<b>Disadvantaged Community Target</b>
Transit and Intercity Rail [and Bus] Capital Program  <b>10% of Cap &amp; Trade Revenue</b>	California State Transportation Agency reviews and scores projects & develops program guidelines.  California Transportation Commission allocates funds.	<ul style="list-style-type: none"> <li>• Rail capital</li> <li>• Bus rapid transit and other bus investments to increase ridership and reduce GHGs</li> <li>• Service improvements that improve reliability and decrease travel times</li> <li>• Integrated ticketing and scheduling systems, shared-use corridors, related planning efforts and service integration initiatives</li> <li>• Must be consistent with SCS</li> <li>• Subject to guidelines to be released in draft 30 days prior to at least two public workshops.</li> </ul>	$\geq 25\%$ of funds should benefit DCs
Low Carbon Transit Operations Program  <b>5% of Cap &amp; Trade Revenue</b>	Operator (or regional transportation planning agency for population-based funds) must submit project to Caltrans for approval and verification that it qualifies as a GHG reducing project.  Controller allocates funds.	Transit capital and operating expenses that enhance transit service and reduce GHG emissions  Support new or expanded bus or rail services, or expanded intermodal facilities and equipment, fueling and maintenance for those facilities.	$\geq 50\%$ of funds should benefit DCs
High Speed Rail  <b>25% of Cap &amp; Trade Revenue</b>	High Speed Rail Authority	Acquisition and construction Environmental review and design Other capital costs Repayment of loans made to the authority	NA

<p>Affordable Housing and Sustainable Communities Program</p> <p><b>20% of Cap &amp; Trade Revenue</b>  <i>(at least half dedicated to affordable housing)</i></p>	<p>Strategic Growth Council  (in coordination with MPOs and other regional agencies)</p>	<ul style="list-style-type: none"> <li>• Affordable housing that supports infill and compact development</li> <li>• Transit capital and programs “supporting transit ridership”</li> <li>• Active transportation projects (infrastructure &amp; non-infrastructure)</li> <li>• TOD projects</li> <li>• Capital projects that implement complete streets</li> <li>• Projects that reduce GHG emissions by reducing auto trips and VMT</li> <li>• Acquisition of easements or other approaches to protect agricultural lands under threat of development</li> <li>• Planning to support SCS implementation, including local plans</li> <li>• Must be in draft or adopted SCS.</li> <li>• Subject to guidelines to be released in draft 30 days prior to at least two public workshops.</li> </ul>	<p>≥ 50% of funds should benefit DCs</p>
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## Cap and Trade Funding for S.F. Bay Area Transportation in FY 2014-15 and Future Years

	Fiscal Year 2014-15	Future Years Scenario 1 (\$2.5 billion total)	Future Years Scenario 2 (\$3.75 billion total)	Future Years Scenario 3 (\$4.5 billion total)
<b>State-Administered Competitive Programs (Statewide Amounts)</b>				
Sustainable Communities (Includes transportation & affordable housing, split 50/50)	\$ 130,000,000	20% (~ \$500,000,000)	20% (~ \$750,000,000)	20% (~ \$900,000,000)
Transit Statewide Competitive Program	\$ 25,000,000	10% (~ \$250,000,000)	10% (~ \$375,000,000)	10% (~ \$450,000,000)
Low Carbon Transportation ( <i>Clean Vehicles</i> ) <sup>1</sup>	\$ 200,000,000	TBD	TBD	TBD

	Fiscal Year 2014-15	Future Years Scenario 1 (\$2.5 billion total)	Future Years Scenario 2 (\$3.75 billion total)	Future Years Scenario 3 (\$4.5 billion total)
<b>Transit Formula Program<sup>2</sup></b> (Statewide Amount)	\$ 25,000,000	\$ 125,000,000	\$ 187,500,000	\$ 225,000,000
<b>San Francisco Bay Area Total</b>	\$ 9,306,250	\$ 46,531,250	\$ 69,796,875	\$ 83,756,250
<b>Revenue-Based Funds<sup>3</sup></b>	\$ 6,893,750	\$ 34,468,750	\$ 51,703,125	\$ 62,043,750
<b>Population-Based Funds</b>	\$ 2,412,500	\$ 12,062,500	\$ 18,093,750	\$ 21,712,500
SFMTA	\$ 2,335,980	TBD	TBD	TBD
BART	\$ 1,867,003			
Santa Clara VTA	\$ 834,322			
AC Transit	\$ 652,051			
Caltrain	\$ 347,828			
Golden Gate Transit	\$ 311,795			
SamTrans	\$ 290,238			
ACE	\$ 28,765			
CCCTA	\$ 40,277			
City of Dixon	\$ 323			
ECCTA	\$ 17,177			
City of Fairfield	\$ 8,064			
City of Healdsburg	\$ 51			
LAVTA	\$ 19,252			
NCPTA	\$ 3,144			
City of Petaluma	\$ 1,706			
City of Rio Vista	\$ 401			
City of Santa Rosa	\$ 8,719			
Solano County Transit	\$ 20,530			
Sonoma County Transit	\$ 10,062			
City of Union City	\$ 3,027			
VTA - Corresponding to ACE	\$ 16,281			
WCCTA	\$ 22,377			
WETA	\$ 70,657			

### Notes

1) Pursuant to funding plan to be adopted on June 26, 2014 by Air Resources Board. Proposed plan can be found at this URL:

[http://www.arb.ca.gov/msprog/aqip/fundplan/fy1415\\_funding\\_plan\\_aqip\\_ggrf\\_final.pdf](http://www.arb.ca.gov/msprog/aqip/fundplan/fy1415_funding_plan_aqip_ggrf_final.pdf)

2) Pursuant to SB 862, Statutes of 2014, 5 percent of annual Cap and Trade Revenue will be disbursed by the State Transit Assistance formula pursuant to Public Utilities Code 99313 and 99314

3) Operator shares for FY 2014-15 are based on State Transit Assistance shares from State Controller's 2013-14 3rd Quarter payment, which were used in the 2015 Fund Estimate. Individual operator shares vary annually based on each operator's share of statewide qualifying revenue, including fares as well as local funds. Future revenue scenarios are based on a December 2013 ICF International Study, "Modeling the Economic Impacts of AB 32 Auction Proceeds Investment Opportunities"